



THE CITY OF SAN DIEGO **MANAGER'S REPORT**

DATE ISSUED: October 25, 2000

REPORT NO. 00-227

ATTENTION: Honorable Mayor and City Council
Docket of October 30, 2000

SUBJECT: The Community Energy Partnership a Voluntary Program with
Guidelines and Incentives for Energy Efficient New Construction

SUMMARY

Issues - Should the City Council adopt a Council Policy which provides incentives for builders which participate in a voluntary program using energy-efficient standards in the residential and commercial building industries?

Manager's Recommendation - Adopt a Council Policy which provides incentives and encourages energy-efficient practices in the residential and commercial building industries and direct staff to implement the Community Energy Partnership Program.

The City of San Diego will work with San Diego Gas & Electric, San Diego Regional Energy Office, local builders, California Energy Commission, the Building Industry Association, and the federal energy and environmental departments to implement the policy.

Fiscal Impact - None.

BACKGROUND

The San Diego region is prospering. Incomes are rising, unemployment is at an all-time low and the regional economy is growing. To sustain the region's prosperity, a reliable supply of energy is critical.

This strong economic growth means regional populations and housing will continue to grow. With such growth, energy will become an even more critical component of regional quality of life and prosperity.

Using existing technologies, high-performance, energy-efficient buildings consume less energy, cost less to operate, retaining money in the local economy and deferring electricity and natural gas infrastructure. Initial estimates by the San Diego Regional Energy Office indicate that if energy-efficient building practices were broadly adopted, annual electricity consumption could be reduced by over one billion kilo-watt hours per year (enough electricity to power over 150,000 homes) and peak demand could be reduced by nearly 250 megawatts (the equivalent of about one half of a conventional natural gas merchant power plant).

An example of a cost-effective, high-performance building in the San Diego region is the City of San Diego's Ridgehaven Green Building. The Ridgehaven building consumes 50% less energy than the standards under California's Title 24 and places it in the lowest ten percentile for energy consumption in the region. The Ridgehaven energy upgrades paid for themselves in three years and continue to save San Diego taxpayers over \$80,000 per year (at 1999 energy prices). Numerous other examples are available in the commercial market. Residential homes are now being built that are up to 30% more energy-efficient than standard homes.

As a result of a combination of significantly increased electricity consumption and the lack of new power plants being built, the San Diego region has seen significant increases in the price of electricity. Industry experts agree that under current circumstances residents and business owners in the San Diego region could experience significant electricity shortfalls in the coming years. These same experts also agree that there are two principle solutions to the problem: 1) a combination of increased generation and transmission capacity; and 2) a reduction in energy usage through energy efficiency and conservation measures.

Adding generation and transmission facilities are critical elements of a long-term solution but could take years to complete and are not within the jurisdiction of local government. Therefore, energy efficiency has emerged as a critical strategy that can yield near-term results.

DISCUSSION

Local governments are not only large consumers of energy, but as permitting agencies, they are in a unique position to positively influence building practices to encourage significant reduction in energy consumption. Building design and construction decisions create long-term impacts - both financial and environmental. These decisions also present the City of San Diego citizens with an opportunity to reduce energy expenditures, enhance the quality of our buildings, and improve the environment while strengthening the regional economy.

The City of San Diego has recognized the potential damaging effects of changing energy markets and supports comprehensive voluntary energy-efficiency standards. This proactive step will reduce electricity demand, save taxpayers money and improve the environment. The policy is intended to *provide voluntary* energy efficiency standards for new commercial and multi-family residential construction projects.

INCENTIVES

In discussions with regional builders and developers, one incentive emerges as the most attractive to increase participation in the program: significantly reduced plan check time. Staff proposes providing expedited plan checking (similar to that which is provided for by the Business and Industry Incentive Program-Council Policy 900-12) for all new construction projects that are designed and built to exceed California Title 24 Energy Standards by at least 15% for commercial buildings, and 30% for multi-family residential buildings.

Adopting an energy partnership policy will result in numerous benefits to San Diego, including:

- 1) It is a voluntary program.
- 2) Saving the taxpayers money, as a result of consuming less energy.
- 3) Significant improvement in the quality of plans submitted by builders, thereby reducing review time and minimizing costly mistakes in the field.
- 4) The program is designed to focus on cost-effective energy-efficiency measures that have reasonable return on investment.
- 5) The program helps San Diego meet regional energy improvement commitments outlined in the San Diego Regional Energy Plan.
- 6) The program focuses on independent, third party verification of energy efficiency improvements that ensure buildings not only meet, but exceed building codes.
- 7) The program measures results ensuring energy efficiency improvements are installed and actually deliver the savings projected to the City of San Diego.
- 8) The program is comprehensive, covering all new multi-family residential and commercial buildings, providing San Diego greater opportunity to capture energy cost savings.
- 9) Such a program has the support of local utility-sponsored public good programs, which offer incentives to commercial and residential builders who choose to participate.
- 10) The program brings both environmental and economic savings, through reduced emissions, and energy dollars that stay with San Diego residents.
- 11) This policy will provide recognition for good government actions in the areas of environment, smart energy planning, and cost management.

FISCAL IMPACT

There is no anticipated fiscal impact to the City budget due to adoption of the Energy Partnership.

PROCEDURES

City staff proposes to expedite building code permitting for participating builders. This expediting is justified by reduced plan check time required by building department staff due to self-certified Title 24 compliance of plans submitted by participating builders and the long range effects of additional energy savings Citywide.

This policy is similar to the City's Council Policy 900-12 which provides expedite status for certain projects that provide extraordinary economic development benefits to the City. In order to ensure that these programs can provide the intended benefit without adversely affecting other permit applications, the policy will limit the number of applicants in the energy category to 20 per year. Staff will report back to City Council on the number of participants after the first year if the policy is approved, and make a recommendation on whether this program needs to be expanded. (It should be noted that there were 60 project expedites under Council Policy 900-12 in February 1999.)

Applicants for building permits of new commercial or multi-family structures shall request "Expedite" status for the project at time of submittal, providing complete plans and certified Title 24 calculations. Project submittals shall include California Energy Performance (Title 24) calculations completed and certified by a Certified Energy Analyst~ using an acceptable computer model such as Energy Pro, MICROPAS, EQuest, DOE-2, Power DOE, HAP 3.22 etc. and present the summary data with plans.

For Multi-Family Residential Projects

Projects shall exceed California Title 24 Energy Standards (Residential) by a minimum of 30%.

For Commercial Projects

Projects shall exceed California Title 24 Energy Standards (Non-Residential) by a minimum of 15%.

ALTERNATIVE

Do not approve this policy.

Respectfully submitted,

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Approved: George I. Loveland
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HAASE/PZL

Attachment: 1. Council Policy